

Annual Report
1981



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From the mountain tops of northern British Columbia to the shores of Newfoundland, energy and mineral resources play a major role in the nation's economy and present the unique art forms portrayed on the following pages.
Photo: Elias Mountains, Northern British Columbia.

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On peut obtenir le texte français de ce rapport auprès du service des relations publiques, Brinco Limited, 20 King Street West, Toronto, Ontario M5H 1C4

Highlights

| Financial | 1981 | 1980 |
|--|----------------|------------|
| | (in thousands) | |
| Revenue | | |
| Asbestos | \$ 76,300 | \$ 8,753 |
| Coal | 9,188 | 23 |
| Oil and gas | 2,854 | 3,408 |
| Investments and other | 3,703 | 5,886 |
| Earnings (loss) before minority interest and extraordinary item | (188) | (1,378) |
| Per common share after deducting dividends on preferred shares | (.26) | (.13) |
| Earnings (loss) after extraordinary items | 1,091 | 899 |
| Per common share after deducting dividends on preferred shares | (.20) | .01 |
| Capital expenditures | | |
| Asbestos | 23,193 | 2,457 |
| Acquisition of Cassiar Resources Limited | — | 89,580 |
| Gold | 7,134 | 1,232 |
| Coal | 4,533 | 3,293 |
| Oil and gas | 2,594 | 10,550 |
| Long term investments | 22,171 | 3,059 |
| Long term debt | 70,143 | 4,220 |
| Shareholders' investment | 152,854 | 155,847 |
| Dividends on Preferred Shares | 4,495 | 810 |
| Production | 1981 | 1980 |
| Asbestos (tons) | † 97,827 | †† 107,239 |
| Coal (tons) | 225,643 | †† 160,000 |
| Crude oil (barrels) | 121,600 | 143,371 |
| Daily | 333 | 391 |
| Natural gas (MCF) | 697,000 | 976,000 |
| Daily | 1,910 | 2,667 |
| Net Reserves | 1981 | 1980 |
| Operating | | |
| Asbestos ore (tons) | 12,321,480 | 13,847,000 |
| Gold ore grading 0.19 ounces (tons) | 441,114 | 405,000 |
| Coal (tons of clean recoverable coal) | 5,275,000 | 5,500,000 |
| Crude oil (barrels) | 2,877,000 | 4,409,000 |
| Natural gas (BCF) | 32.7 | 33.5 |

* July 1981

† 11 months operation in 1981.

†† Production shown for full year. Revenues shown for portion of year following acquisition by Brinco of Cassiar Resources Limited and the Loftis coal mine.

Brinco Limited is a Canadian controlled resource development company engaged through subsidiaries, in the exploration, development and production of energy resources (oil and gas, uranium and coal), industrial minerals (asbestos and limestone), and base and precious metals. The

company's shares are listed on the Toronto, Montreal and Alberta stock exchanges. The company's corporate office is located in Toronto while its oil and gas operations are directed from Calgary and its mining activities are directed from Vancouver.

Report to the Shareholders



R. B. Dale-Harris,
Chairman of the Board
(standing)

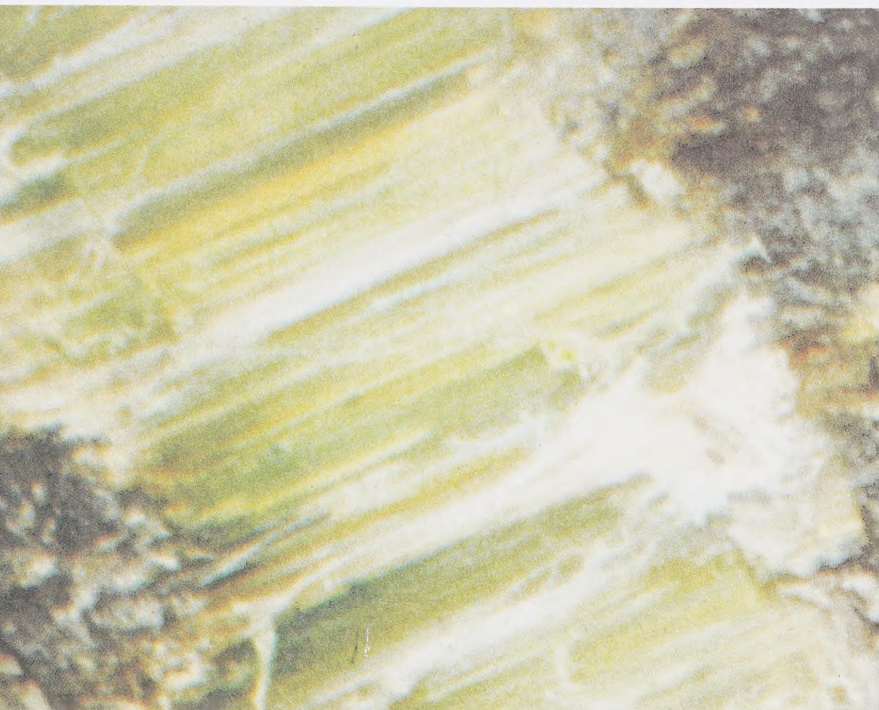
H. R. Snyder,
President and
Chief Executive Officer

The year 1981 was one of growth and consolidation for the company. The acquisition of Cassiar Resources Limited and the Loftis coal mine in late 1980 changed the nature of Brinco and established it as an active operating resource development company. Consistent with this new direction was the development of the San Antonio gold mine during 1981 which came into production in early 1982 and the negotiation of two joint ventures with Brinco as operator, one with Weldwood and one with Suncor in the valuation of development opportunities of steam coal projects in British Columbia and Nova Scotia respectively.

As a result of these and other activities, our assets increased from \$141 million at the end of 1979 to \$233 million at the end of 1980 and to \$299 million at the end of 1981. Financing for this growth was largely provided for by a Preferred Shares Issue which netted \$40 million in late 1980, and a term bank loan of \$70 million arranged in 1981.

Following a good first half year, deteriorating economic conditions in Canada and elsewhere resulted in a diminished demand for mineral products, including asbestos, and this had a severe impact on the level of sales from the Cassiar mine and on our net earnings. In the Canadian oil and gas industry markets for natural gas remain depressed. Moreover, the Energy Pricing Agreements negotiated between the federal and provincial governments allocate a disproportionate share of cash flow to government, although this was moderated by the new Alberta Royalty Tax Credit which provides some cash relief to junior oil and gas companies such as Brinco Oil & Gas. Finally, the high cost of funds borrowed to finance the expansion of the company has added significantly to our operating costs.

Revenues for 1981 were \$92.0 million compared with \$18.0 million in 1980. The 1981 revenues include the first full year of revenues from the Cassiar asbestos mine. Net earnings for 1981 were \$1.1 million compared with \$0.9 million in 1980, in both cases after extraordinary items. However, after payment of Preferred share dividends the loss attributable to the common shares was 20¢ per common share compared with earnings of one cent per common share a year earlier.



Asbestos ore from the Cassiar mine.



Gold ore from the San Antonio mine.

Brinco Mining Limited Current Activities

Cassiar Asbestos

In 1981, during which the mine and mill were shut down for thirty days, the Cassiar asbestos mine produced 97,827 tons of asbestos fibre compared with 107,239 tons produced for twelve months of operation in 1980. International economic conditions resulted in slowdowns in the construction industry and this in turn had a detrimental impact on the demand for asbestos. Reflecting these conditions, sales in 1981 were 88,409 tons compared with 105,431 tons in 1980.

Capital expenditures at the Cassiar mine were \$23 million of which approximately \$15 million was for the removal of 4.8 million yards of waste rock. This was less than in 1980 when 7.2 million yards were removed. In addition, \$6 million was spent on mill improvements and modifications.

San Antonio Gold

Following a decision in April 1981 by Brinco and its partner, New Forty-Four Mines Limited to place the San Antonio gold mine in Manitoba into production, construction under our management was virtually complete by early December 1981 and operation of the mill on a continuing basis commenced on January 4, 1982. Costs of construction were just over \$13 million, well within budget. Production is projected at about 22,000 ounces of gold per year. The concentrator had achieved its target production rate of 350 tons per day in January. The mine should reach planned production levels by mid-year. Further review of the operating plan is in progress following the decline in gold prices.



Coal from the Loftis mine.

Coal

The Loftis coal mine was acquired in December 1980 and plans were implemented in 1981 to expand production from 160,000 tons per year to 350,000 tons per year. The expansion project was completed within budget, but production was delayed because of a two and a half month shutdown resulting from a strike by the U.M.W.A. which affected the non-union mines in the area. Reflecting the interruption in production, coal sales from the mine were 225,643 tons. Markets remain firm for the high quality Loftis coal which is sold largely to local industrial users with some production directed to the export market.

On Vancouver Island in British Columbia, we have joined Weldwood of Canada Limited as a fifty percent partner in Quinsam Coal Limited. The Quinsam coal deposits, located close to tidewater and transportation facilities, contain more than 32 million tons of high volatile bituminous steam coal.

We are currently undertaking environmental and mine development studies and are working closely with the communities in the Campbell River region on the development. Submission of the results of these studies will be made to the Government of British Columbia by mid-1982 and a decision by the government on this project is expected in the second half of 1982.

In the Stellarton region of Nova Scotia, under a lease option arrangement with the Nova Scotia Government, Brinco together with Suncor Inc. Resources Group of Calgary is investigating certain sections of

the Acadia and Scott seams in the Pictou coalfields. Initial exploration results will be available in early 1982 when a decision will be made whether or not to proceed with the next phase of investigation.

Mineral Exploration

During 1981 Brinco operated or participated in fifteen exploration projects across Canada of which six were major programs. Total expenditures on these programs was \$9.7 million of which our share was \$1.9 million. Principal exploration projects were in Labrador, central Newfoundland and the Yukon.

Early in 1981 we and our partner Edison Development Canada Inc., a wholly-owned subsidiary of Commonwealth Edison Company of Chicago, announced deferral of the development of the Kitts-Michelin uranium deposits in Labrador until conditions improve in uranium markets. By year end there was no significant change in these markets. The partners maintain an active interest in the project and a selective exploration program continues.



Jade from the Cassiar mine.



Natural gas flame.

Brinco Oil & Gas Limited

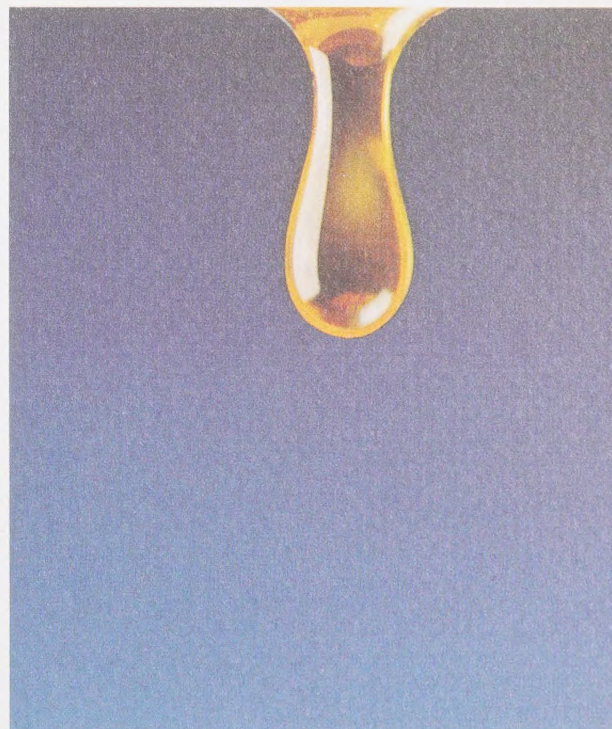
During 1981 Brinco Oil & Gas Limited participated in a total of 54 wells resulting in 10 oil wells and 28 gas wells. Major areas of drilling activity were in eastcentral Alberta and northeastern British Columbia.

Crude oil production decreased from 391 barrels per day in 1980 to 333 barrels per day in 1981. Reduced production in 1981 resulted from a normal decline in producing properties, partially offset by production from new wells completed in 1981. Gas production declined from an average of 2,667 MCF per day to 1,910 MCF per day resulting from normal production declines and poor market conditions. As of mid-1981 the net present value of proven and producing properties of Brinco Oil & Gas Limited had increased about 10% over 1980. At the same time ultimate oil reserves were reduced following operating difficulties and a more conservative interpretation of a few major properties.

Shareholders' Investment

The following table summarizes shareholders' assets and investments as at year end 1980 and 1981.

| | 1981 | 1980 |
|---|-------------------|-------------------|
| | (in thousands) | |
| Cash | \$ 21,000 | \$ 6,322 |
| Accounts receivable and inventories | 43,574 | 35,401 |
| Income and mining taxes recoverable (payable) | 596 | (4,571) |
| Property plant and equipment | | |
| Asbestos | 113,402 | 113,100 |
| Oil and gas | 62,680 | 62,856 |
| Coal | 7,064 | 3,293 |
| Uranium | 9,413 | 9,385 |
| Gold | 8,366 | 1,232 |
| Corporate | 763 | 736 |
| Advances to joint venture Partner | 6,043 | — |
| Long Term Investments | 22,171 | 3,059 |
| Other Assets | 4,658 | 3,090 |
| Total Assets | 299,730 | 233,903 |
| Liabilities | 146,876 | 78,056 |
| Shareholders' Investment | \$ 152,854 | \$ 155,847 |



Oil.



Outlook

Economic projections for 1982 indicate a continuing slow demand for mineral products including asbestos. Consequently, sales are likely to continue at the same depressed level as in 1981. To conserve cash in these difficult market conditions a one month shutdown of operations at the Cassiar asbestos mine in mid-year is planned together with a reduction in the waste removal program. Sales commitments will be met from inventory which is currently at an all time high.

Revenues from our San Antonio gold mine should increase as the mine and mill meet their production targets in 1982. International gold prices will, of course, affect these revenues and the mine's profitability.

We continue to regard energy coal development opportunities favourably. In 1982, we expect increased earnings from our Loftis coal mine as markets are expected to remain firm for the high quality Loftis coal and as production targets are met. By the middle of the 1980's revenues from the Quinsam Coal project could add significantly to net earnings if a positive government decision on the project is forthcoming by the end of 1982.

Our Loftis operation provides a window on the eastern United States coal industry which presently produces approximately four hundred million tons of steam coal per year. As consumers demand a higher quality product, and as safety standards become more stringent, more of the production capacity in the eastern United States is likely to become available to those corporations which have technical and financial depth. We regard Loftis as being an ideal base from which to participate in this shift in the industry. The Quinsam and Stellarton projects, both adjacent to tidewater, could provide low cost access to international steam coal markets in both Europe and southeast Asia.

The depressed outlook in the oil and gas industry in Canada and elsewhere dictates that we proceed with extreme caution at the present time. Consequently our exploration expenditures will be kept to a minimum in 1982. We shall, however, continue to review opportunities to expand our present asset base in a significant way through acquisitions.

Throughout 1982, management will concentrate on maximizing cash flow from existing operations and will minimize exploration expenditures. We shall focus on activities which have significant potential for earnings and cash flow in the near term and which would complement our present operations.

With an experienced and competent management team in place, we are preparing to take advantage of new opportunities which may arise as a result of the distressed conditions which now exist in the mineral industry. We expect that these conditions will improve over the next few years and we will be well placed to participate in new projects as they become available.

Acknowledgements

Difficult times require difficult decisions now to survive the short term in order to enjoy the opportunities which will be available in the longer term in the mineral and oil and gas industries. These decisions place heavy demands on management and require patience on the part of our Board members. We should like to express our appreciation to both groups for their cooperation in the past and their encouragement for the future.

A handwritten signature in dark ink, appearing to read "R.B. Dale-Harris".

R.B. Dale-Harris,
Chairman

A handwritten signature in dark ink, appearing to read "H.R. Snyder".

Hugh R. Snyder,
President and
Chief Executive Officer

March 15, 1982

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Vancouver, British Columbia
President
Block Bros. Industries Ltd.

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Montreal, Quebec
Partner
Stikeman, Elliott, Tamaki, Mercier & Robb

Thomas N. Dirks
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Sage Exploration, Inc.

*Robert B. Dale-Harris
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*Sir Alistair G. Frame
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The Rio Tinto-Zinc
Corporation Limited

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J. Douglas Little
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and Secretary
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Ralph Reichmann
Toronto, Ontario
Senior Executive Vice-President
and Treasurer
Olympia & York
Developments Limited

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Calgary, Alberta
Executive

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Corporate Development

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Treasurer

Charles A. Cox
Assistant Treasurer

Brian A. Hunt
Comptroller

*Member of the Executive Committee

Brinco Mining Limited

Cassiar Asbestos



The Cassiar asbestos mine on McDame Mountain in northern British Columbia.

General

The Cassiar mine is an open pit asbestos mine which produces a high quality chrysotile asbestos fibre mainly in the asbestos cement grades. It is located in northern British Columbia just south of the Yukon border.

Production

In 1981 1,354,400 tons of ore were mined at a recoverable mine grade of 7.18% compared with 7.65% in 1980. The primary concentrator rejected 21% of feed which was the same rejection rate recorded in 1980. The mill processed 1,071,432 tons of concentrate and produced 97,827 tons of fibre during eleven months of operations.

4.8 million yards of waste were removed during 1981 compared with 7.2 million yards removed in 1980. The cost per yard of waste removed was \$3.14.

In addition \$6 million in capital was spent on replacements, mill improvements and modifications.

Ore Reserves

Ore reserves as of January 1st, 1982 were calculated at 12,321,480 tons. This is a slight reduction in the reserves of 13,847,000 tons as reported year end 1980 after deducting tons mined during 1981.

Exploration

Underground exploration of the McDame mineralized zone contiguous to the Cassiar asbestos ore body continued during the year with 10,384 feet of diamond drilling completed. Results to date have outlined approximately fifteen million tons of asbestos-bearing serpentinite with asbestos content similar to that of the Cassiar ore body. Further engineering studies are required to evaluate the prospect for potential surface or underground mining.

Environmental Control

Capital expenditures for modifications and improvements within the mill complex have resulted in the reduction of overall average fibre concentrations in the air to less than two fibres per cubic centimeter, in compliance with the Government of British Columbia regulations.

Operating Results

| Operations | 1981 * Year ending December 31 | 1980 |
|-----------------------------|-----------------------------------|-----------|
| Ore Milled (tons) | 1,071,432 | 1,109,330 |
| Recoverable Mine Grade | 7.18% | 7.65% |
| Fibre Produced (tons) | 97,827 | 107,239 |
| Waste Removal (cubic yards) | 4,781,494 | 7,212,541 |

* Operations for 11 months

Marketing

World demand for asbestos fibre continues to be depressed as a result of the world recession which has reduced public and private expenditures in the construction sector. A slight recovery in this sector is expected towards the end of 1982.

Inventories remain at high levels throughout the industry despite substantial production cutbacks in 1981.

Sales for 1981 were 88,409 tons. Although a decline from 1980, market share was maintained, and markets expanded in India and the Middle East. Cassiar continues to serve over 100 customers in 40 countries.

| Distribution of Sales | 1981 (Percent) | 1980 (Percent) |
|-----------------------|-------------------|-------------------|
| North America | 21.0 | 23.0 |
| South America | 8.0 | 6.0 |
| Asia | 24.0 | 27.0 |
| Continental Europe | 29.0 | 26.0 |
| Australia | 13.0 | 17.0 |
| Middle East | 4.0 | 1.0 |



A close up of a piece of asbestos ore from the Cassiar mine.

Brinco Mining Limited San Antonio Gold



An aerial view of the San Antonio gold mine at Bissett, Manitoba.

General

In 1980 Brinco and New Forty-Four Mines Limited became partners, with Brinco as manager, to examine the feasibility of reopening the San Antonio gold mine. The San Antonio mine is located at Bissett, Manitoba and was a producing mine from 1932 to 1968.

Results of a 1980/81 exploration and diamond drilling program conducted by Brinco delineated ore reserves totalling 882,228 tons grading 0.187 ounces of gold per ton (fully diluted).

Construction

Based upon the exploration results and a feasibility study, the partners proceeded in April 1981 with construction of a new processing plant and support facilities, and undertook a program to refurbish existing facilities and develop the mine.

By December 1981, construction was virtually complete and operation of the mill on a continuous basis began on January 4, 1982. Construction costs of approximately \$13 million were below budget.

Operating Plan

The operating plan for the mine is based on processing 122,500 tons of ore per year, at an average rate of 350 tons per day. Gold production is projected at about 22,000 ounces of gold per year.

The project presently employs 170 people who live in the community of Bissett, approximately 250 kilometres north of Winnipeg, Manitoba.

Mine Information

| Ore Reserves* | Tons | Grade |
|---------------|---------|------------------|
| Maneable | 771,824 | 19 oz. gold/ton |
| Possible | 110,404 | 17 oz. gold/ton |
| Total Diluted | 882,228 | 187 oz. gold/ton |

Production

| | |
|-----------------------------|-------------------|
| Mining Rate | 122,500 tons/year |
| Production of Gold/ Year | 22,111 oz. |

General

| | |
|---|-----|
| Number of Operating Personnel (at full production) | 180 |
|---|-----|

*Ore reserves are presented as of December 31, 1981 which include discoveries during the 1981 diamond drilling and mine development program.



A specimen of ore from the
mine showing free mill mineral
in thin bands of fine grained quartz.

Sharondale Corporation Loftis Coal

General

Brinco's coal activities in the United States are operated by Sharondale Corporation, a wholly-owned subsidiary, based in Lexington, Kentucky. Sharondale operates the Loftis coal mine near Belfrey in eastern Kentucky. The mine was purchased by Brinco in December 1980.

Operations

Following acquisition of the mine, Brinco undertook an expansion program designed to increase the production capacity of the mine from 160,000 tons to 350,000 tons annually. The expansion was accomplished by adding a new mining section and by making minor modifications to the wash plant. In April 1981, mining operations were shut down due to the United Mine Workers of America strike in the coal fields which affected both union and non-union mines. Following a two and a half month shutdown, the mine resumed operation at its expanded capacity. However, as a result of the shutdown, coal production for 1981 fell below target at 225,643 tons.

Marketing

Prices in 1981 remained firm for the high quality Loftis coal until the fourth quarter when market conditions showed some decline reflecting the national economy and transport restrictions to some consumer areas.

These conditions have continued into the first quarter of 1982. However, prices for the balance of the year are expected to stabilize and with production at capacity, operating results for 1982 are expected to show a significant improvement over 1981.

Acquisitions

Loftis, although small, is well located in the heart of the eastern U.S. coal industry enabling the company to review other opportunities for acquisitions as they

become available. Sharondale investigated several opportunities during 1981 and this activity will continue during 1982.

Mine Information

| Coal Reserves | 1981 |
|---------------------------------|--------------|
| Gross Acres | 3,100 acres |
| Net Acres | 1,500 acres |
| Coal Thickness | 45 inches |
| Seam Thickness | 60 inches |
| Mining Coal Recovery | 65% |
| Wash Plant Coal Recovery | 80% |
| Net Tons Clean Recoverable Coal | 5.27 million |

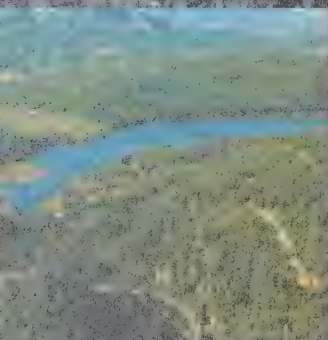
| Production | 1981 | 1980 |
|------------------------------|----------|----------|
| Clean Coal Produced (tons) | 225,643 | 160,000 |
| Coal Quality — BTU per pound | 13,000 + | 13,000 + |
| % Sulphur | 0.9-1.0 | 0.9-1.0 |
| % Ash | 6.0-8.0 | 6.8-8.0 |

| General | 1981 | 1980 |
|-------------------------------|-------------------|------|
| Number of Operating Personnel | 140 | 86 |
| Railroad | Norfolk & Western | |



Microphotography helps find the grain in coal from the bottom mine.

Brinco Mining Limited Quinsam Coal



Coal reserves lie beneath the surface near Middle Quinsam Lake on Vancouver Island, British Columbia.

General

In September 1981, Brinco Mining Limited, joined Weldwood of Canada Limited as a 50% partner and manager in the joint venture company Quinsam Coal Limited. The company has been established to develop thermal coal reserves located 27 kilometers from Campbell River on Vancouver Island, British Columbia.

The Project

Reserves of 32 million tons of high volatile thermal coal have been delineated by drilling. Subject to receiving regulatory approval and acceptable feasibility analysis, Quinsam coal plans to mine by surface methods at the rate of one million tons per year, giving the project an approximate thirty year life. The coal will be washed at a plant on the site and then transported by covered trucks to a barging site at Middle Bay.

Ultimate destination of the coal will likely be the Pacific Rim countries. Project costs are estimated at approximately \$100 million (1981 dollars).

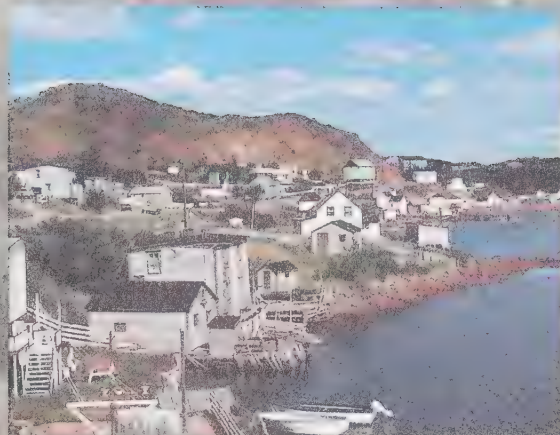
The Program

Delineation of the coal reserves was commenced in 1975 and followed by the submission of a prospectus and environmental assessments to government agencies. Work under Brinco's management has concentrated on the completion of additional environmental and engineering studies to satisfy government requirements that the operation of a coal mine in this sensitive environment will not adversely affect the quality of water in the Quinsam river. The reports on these studies will be submitted to the government by mid-1982.

A decision by the government on the project is expected by the end of 1982. If approval is given, construction could begin in 1983 with the first coal shipped in early 1985.

As part of its current activities, an intensive information program has been developed by the company to ensure that the people in the region are fully informed about the plans for and progress of the project.

Brinco Mining Limited Exploration



St. John's, close to the site of exploration activity for lead-zinc in Newfoundland.

Exploration Projects

During 1981 Brinco operated or participated in fifteen exploration projects of which six were major programs. Brinco's expenditure of \$1.9 million gave a direct exploration exposure through joint venturing to exploration activity of \$9.7 million.

Programs in which the company participated included exploration for coal in Nova Scotia, base and precious metals in the Yukon, British Columbia and Newfoundland, uranium in Saskatchewan and Newfoundland, and asbestos in northern British Columbia and the Yukon.

A major program on the Dawes Pond joint venture in central Newfoundland included the drilling of several promising lead-zinc prospects, the acquisition of large claim holdings and the definition of favorable prospects. Brinco is in a 50% joint venture with Getty Canadian Metals Limited on this property and exploration programs will be continued in 1982.

In the fall of 1981, Brinco signed an agreement allowing Suncor Inc. Resources Group of Calgary to earn a 50% interest in a special licence to explore and develop coal from the Acadia and Scott seams located in the Pictou coalfields of Nova Scotia. The property which is in the Stellarton area, is held under a lease option arrangement with the Nova Scotia Government and covers 9,600 hectares.

When plans for work initiated by the company in the fall of 1981 and scheduled for 1982 are completed, the program will provide information on the potential of the reserves in the area.

During 1981, Brinco completed drilling in 25 holes which included by the Ojive joint venture in the Labrador-Hudson Bay area and the Ojive in the MacMillan Pass, Yukon, resulting in significant increases of reserves in the inferred category. Pan Ocean Oil Limited, as the operator of the project, spent approximately \$5.2 million on exploration in 1981. Brinco's interests once Pan Ocean has earned fifty percent, will be 24.7%.

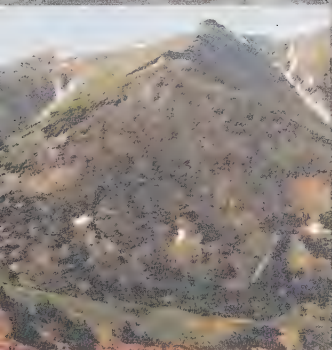
Elsewhere in the Yukon, asbestos exploration during 1981 concentrated on definition and evaluation of asbestos soil surveys and trenching in the Canton Creek area. Numerous asbestos soil samples were encountered and a number of promising prospects have been defined.

Labrador Uranium

Brinco and its partner Edison Development Canada Inc. continued exploration on a selective basis of uranium prospects in the Kitts-Michelin area of Labrador. Work during 1981 consisted of diamond drilling the Anna Lake and Melody Lake uranium prospects, as well as prospecting and completion of surveys on Concession lands. The Anna Lake prospect has been defined as non-economic. In 1982 a selective exploration program will be carried out on prospects in the Michelin area.

Abitibi Asbestos

Abitibi Asbestos Mining Company Limited, in which Brinco has a 60% interest, owns a large undeveloped asbestos deposit located about 50 miles north of Amos, Quebec. As markets for Quebec asbestos fibre have continued to weaken throughout 1981, no work was done on this project during the year.

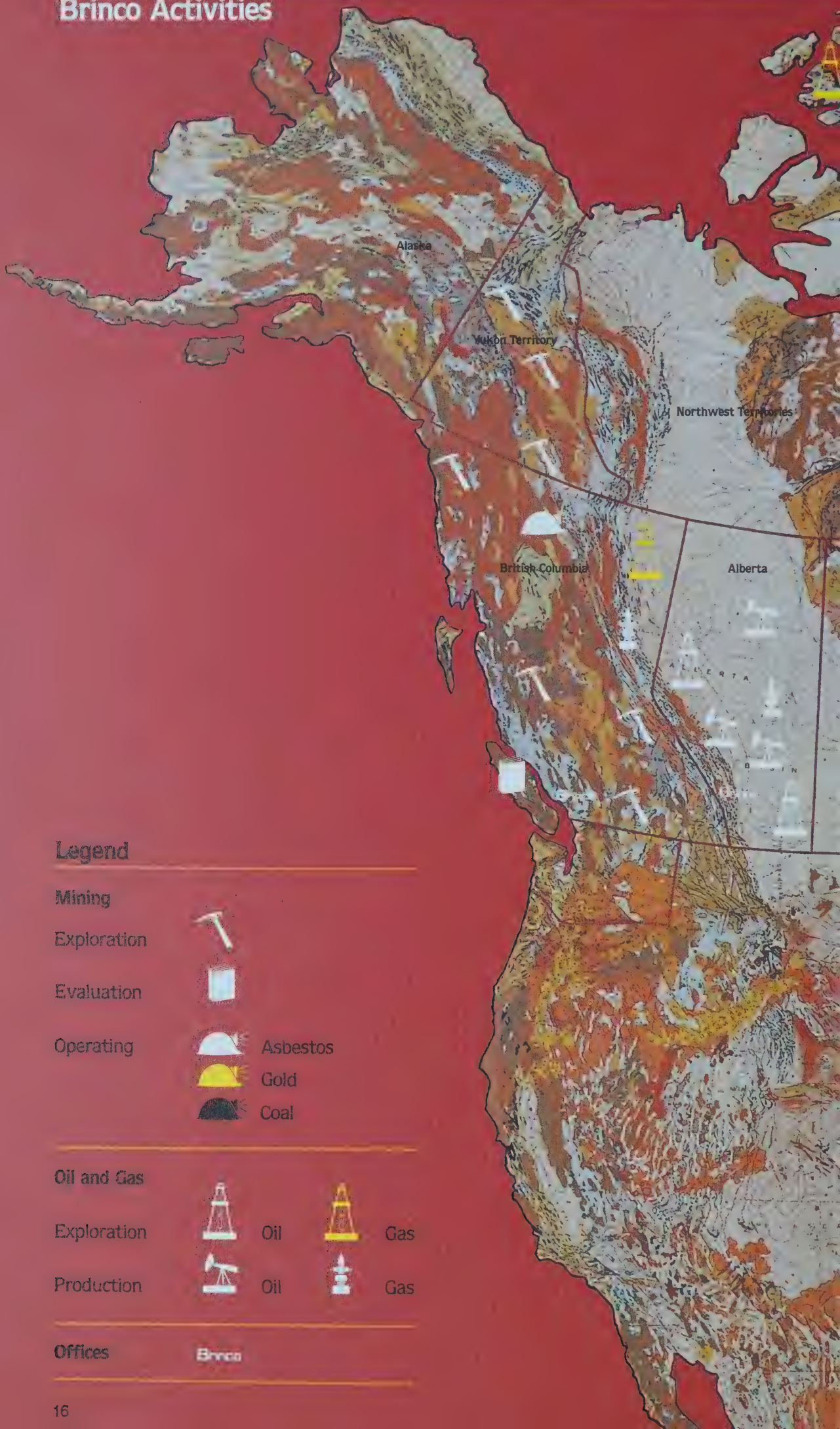


Silver Lake, a prospect in northern British Columbia.



Geological mapping in Newfoundland.

Brinco Activities



Legend

Mining

Exploration



Evaluation



Operating



Asbestos



Gold



Coal

Oil and Gas

Exploration



Oil



Gas

Production



Oil



Gas

Offices

Brinco





A pumpjack pumps oil around the clock in Alberta.

Operations

During 1981 Brinco Oil & Gas Limited participated in a total of 54 wells resulting in 10 oil wells and 28 gas wells. Major areas of drilling activity were eastcentral Alberta and northeastern British Columbia. Drilling expenditures in 1981 totalled \$6.4 million including \$4.1 million from the Brinco '81 Energy Program.

Oil production averaged 333 barrels per day. The major production areas being the Joffre, Lobstick and Chigwell areas in Alberta and the McAden property in Texas. Consistent with last year, approximately 10% of oil production was from United States properties. Reduced production from 1980 resulted from normal declines in producing properties which was only partially offset by production from new wells completed in 1981.

Natural gas production averaged 1,910 MCF per day. Major gas producing areas included northeastern British Columbia and several areas in central Alberta. Weak demand continued to be a major factor in poor sales levels.

Brinco's oil and gas reserves have been estimated by an independent consulting engineering firm as of mid-1981. The estimated net present value, of both proved and probable reserves have increased slightly from the December 1980 estimates. However, poor operating results and a more conservative interpretation in a few major properties have reduced reserves of oil while gas reserves remain approximately the same.

Drilling Results

| | 1981 | 1980 |
|---------------------|------|------|
| Success Rate | 70% | 65% |
| Total Wells Drilled | 54 | 57 |
| Crude Oil | 10 | 19 |
| Natural Gas | 28 | 18 |

Production

| (average daily) | 1981 | 1980 |
|---------------------|-------|-------|
| Crude oil (barrels) | 333 | 391 |
| Natural Gas (MCF) | 1,910 | 2,667 |

Company Share of Reserves

| (after deducting royalties) | July 1, 1981 | December 31, 1980 |
|-----------------------------|--------------|-------------------|
| Crude Oil (barrels) | 2,877,000 | 4,409,000 |
| Natural Gas (BCF) | 32.7 | 33.5 |

Exploration and Development

Brinco was the operator in a significant oil success in Mitsue, Alberta (12.5% Brinco interest) and a gas success in Cabin, British Columbia (48.6% Brinco interest). The Mitsue oil well was tested at 1,500 barrels per day but production is restricted by government regulation to approximately 35 barrels per day. It is anticipated that these restrictions will be relaxed in the second half of 1982. The Cabin gas well tested at approximately 3,000 MCF per day and could be on stream as early as the winter of 1982/83. A partner operated well at Pembina (Lobstick) in central Alberta (18.75% Brinco interest) tested 2,300 MCF per day. The well is shut in waiting for a market for the gas.

In addition, the company participated in the further development of prospects in Kansas, Nebraska and Texas. Five wells were drilled, four of which were cased for oil production.

The Brinco '81 Energy Program was established in 1981 to finance high risk exploratory drilling on prospects with high reserve potential. Brinco is the General Partner of the Limited Partnership. Sale of units in the Program raised \$8.2 million to be spent on drilling ten exploratory prospects, all located in the northeastern British Columbia/northwestern Alberta areas. Six wells were drilled and one partially drilled in 1981. The program has resulted in one successful gas well at Cabin mentioned above (30% Energy Program interest), two potential gas wells at Border and Tenaka (24% and 26.7% respectively Energy Program interest) and three dry holes. Drilling of the remaining wells in the program will be completed by April 1982.

Brinco reviewed a number of exploration proposals located on Federal lands primarily in the Beaufort and East Coast regions

during 1981. The company is planning to participate in an application for an exploration licence in a disposition of lands in the Atlantic offshore region during 1982. The company has also participated in an 800 km seismic program on the Sabine Peninsula in the Arctic Islands which is expected to lead to a future exploration drilling program.

Internationally, Brinco and three Canadian partners have negotiated an agreement with Ente Mineraria Siciliana covering four — 9 year exploration permits totalling 680,000 acres within the onshore Central Sicilian Basin in Sicily. This basin is well located to markets for any hydrocarbons which may be discovered. Successful acquisition of the permits would lead to exploration commencing as early as the fall of 1982.

Hrubetz Oil Company

As reported in the 1980 annual report, Brinco is a joint venture partner with Hrubetz Oil Company of Dallas, Texas for oil and gas exploration and in the southern United States. The joint development venture has assembled a strong acreage base of approximately 530,000 net acres and twenty-eight wells were drilled or drilling at year end. Brinco is expected to contribute approximately \$9 million (U.S.) over the three year life of the agreement to earn a net interest of about seven percent in the joint venture prospects.

Ownership in Productive Wells

(at December 31, 1981)

| | Gross Wells | Net Wells | Status | | 1981 Production | |
|--------------------------|-------------|---------------|------------|------------|--------------------------------|----------------|
| | | | Producing | Capped | | |
| Crude Oil Wells | | | | | m ³ | barrels |
| Alberta | 106 | 24,746 | 76 | 30 | 15,675 | 98,643 |
| British Columbia | 2 | 500 | 1 | 1 | 448 | 2,819 |
| Saskatchewan | 3 | 2,020 | 3 | 0 | 1,381 | 8,691 |
| United States | 21 | 3,115 | 21 | 0 | 1,819 | 11,447 |
| Sub-Total Oil | 132 | 30,383 | 101 | 31 | 19,323 | 121,600 |
| Natural Gas Wells | | | | | 10 ³ m ³ | MMCF |
| Alberta | 213 | 25,467 | 58 | 155 | 11,141 | 395 |
| British Columbia | 45 | 6,146 | 19 | 26 | 7,763 | 276 |
| United States | 9 | 566 | 9 | 0 | 741 | 26 |
| Sub-Total Gas | 267 | 32,178 | 86 | 181 | 19,645 | 697 |
| Total Wells | 399 | 62,560 | 187 | 212 | | |

Land Holdings

(at July 31, 1981)

| | Total | | Developed | | Undeveloped | |
|-----------------------|------------------|----------------|----------------|---------------|------------------|----------------|
| | Gross | Net | Gross | Net | Gross | Net |
| (thousands of acres) | | | | | | |
| Alberta | 616,393 | 95,717 | 155,382 | 22,665 | 461,037 | 73,032 |
| British Columbia | 341,251 | 54,543 | 46,827 | 5,307 | 294,424 | 49,236 |
| Saskatchewan | 1,040 | 400 | 490 | 220 | 560 | 80 |
| Eastcoast offshore | 753,403 | 5,461 | — | — | 753,403 | 5,641 |
| Northwest Territories | 1,224,651 | 12,456 | — | — | 1,224,651 | 12,456 |
| Total Canada | 2,936,744 | 168,577 | 202,699 | 28,312 | 2,734,075 | 140,265 |
| United States | 13,007 | 1,288 | 6,771 | 455 | 6,236 | 833 |
| Total | 2,949,751 | 169,865 | 209,440 | 28,767 | 2,740,311 | 141,098 |

Brinco Limited Corporate Responsibility



Employees

With the acquisition and development of three significant mining properties in the past eighteen months — Cassiar, Loftus and San Antonio — Brinco has grown not only in terms of its financial assets but as an employer and participant in communities across the continent. By the end of December 1981 Brinco employed 1,030 people in its operations or offices from Campbell River on Vancouver Island, north to Cassiar in northern British Columbia, east across the country to Springdale, Newfoundland and south to Belfrey, Kentucky.

Environment and Safety

Since 1976 over \$18 million has been spent at the Cassiar asbestos mine on environmental facilities and equipment. These capital expenditures for modifications and improvements within the mill complex have resulted in the reduction of overall average fibre concentrations to less than two fibres per cubic centimetre, in compliance with the British Columbia Government's standards.

With strong support and cooperation amongst management, union and employees, the Cassiar mine has an enviable safety record. Cassiar won the Government of British Columbia's top safety award for large open pit mines in 1980 and again in 1981 and the company's mine rescue team placed first in the open pit mine category in the provincial mine rescue competition in 1981.

In the Quinsam Coal project on Vancouver Island, Brinco and its partner, Weldwood of Canada Ltd., have spent over \$1 million on environmental and engineering studies to understand and protect the natural environment. The design and operation of this coal mine will be required to meet strict site specific requirements of the federal and provincial governments to ensure that the coal mine does not adversely affect the quality of water in the Quinsam river.



Savaria Dress Parade at the festival celebrating the 100th anniversary of the Cassiar mine.



Cassiar is the home of over six hundred of Brisco's employees.

Community Involvement

At its operating sites, Brisco encourages management and personnel to play an active role in local activities and to contribute to the betterment of the employees and the community.

Cassiar is the site of the company's largest operating mine and is located in a remote area of northern British Columbia. Nevertheless, the community has a wide variety of educational, recreational and cultural facilities and activities. Brisco, as a new owner of the Cassiar mine will continue to support those community activities, a number of which were developed with the assistance of Cassiar Resources Limited, its former owners of the mine.

In Campbell River, where Brisco is managing the Quinsam Coal project, special efforts are being made to inform area residents about the proposed mining development and listen to local concerns. A project office was opened in downtown Campbell River in November 1981 where information about the project is available on a continuous basis. A monthly update on Quinsam Coal activities is mailed to all households and businesses in the area. Workshops and public presentations are being held to ensure that residents have a variety of opportunities to learn about and discuss all aspects of the project.

Brisco also provides several scholarships for gifted young people including children of employees.

Jade from the Cassiar mine.

Consolidated Statement of Earnings

for the year ended December 31, 1981
(with comparative figures for 1980)

| | 1981 | 1980 |
|---|-----------------|----------------|
| | (in thousands) | |
| Revenue | | |
| Asbestos | \$76,300 | \$ 8,753 |
| Coal | 9,188 | 23 |
| Oil and gas | 2,854 | 3,408 |
| Investments and other | 3,703 | 5,886 |
| Total revenue | 92,045 | 18,070 |
| Expenses | | |
| Production | 36,776 | 5,408 |
| Transportation and warehousing | 8,180 | 820 |
| Depletion and depreciation | 24,227 | 4,552 |
| Mineral exploration | 1,931 | 385 |
| General and administration | 11,914 | 5,281 |
| Interest | 8,419 | 556 |
| Mine closure | 447 | — |
| Total expenses | 91,894 | 17,002 |
| | 151 | 1,068 |
| Income and mining taxes | 6 | 2,446 |
| Earnings (loss) before minority interest and extraordinary item | (188) | (1,378) |
| Minority interest in loss of subsidiary | 179 | 126 |
| | (9) | (1,252) |
| Extraordinary item | 6 | 2,151 |
| Net earnings for the year | \$ 1,091 | \$ 899 |
| Earnings (loss) per common share after deducting dividends on preferred shares | | |
| Before extraordinary item | \$ (0.26) | \$ (0.13) |
| After extraordinary item | \$ (0.20) | \$ 0.01 |

See accompanying notes

Consolidated Statement of Financial Position

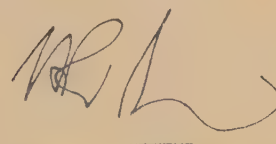
as at December 31, 1981
(with comparative figures for 1980)

| | | 1981 | 1980 |
|---|-------|----------------|-----------|
| | Notes | (in thousands) | |
| Current assets | | | |
| Cash and short-term investments | | \$ 21,000 | \$ 6,322 |
| Accounts receivable | | 16,820 | 15,738 |
| Asbestos fibre and ore | | 18,768 | 11,778 |
| Mine supplies and prepaids | | 7,986 | 7,885 |
| Income and mining taxes recoverable (payable) | | 596 | (4,571) |
| Total current assets | | 65,170 | 37,152 |
| Current liabilities | | | |
| Bank indebtedness | | 20,320 | 15,097 |
| Accounts payable and accrued liabilities | | 14,247 | 13,916 |
| Total current liabilities | | 34,567 | 29,013 |
| Working capital | | 30,603 | 8,139 |
| Property, plant and equipment | 2 | 201,688 | 190,602 |
| Advances to joint venture partner | 3 | 6,043 | — |
| Long-term investments | 4 | 22,171 | 3,059 |
| Other assets | | 4,658 | 3,090 |
| Capital employed | | 265,163 | 204,890 |
| Deduct | | | |
| Long-term debt | 5 | 70,143 | — |
| Debentures payable | | — | 4,220 |
| Deferred income and mining taxes | 6 | 39,183 | 41,661 |
| Minority interest in subsidiary | | 2,983 | 3,162 |
| | | 112,309 | 49,043 |
| Shareholders' investment | 7 | \$152,854 | \$155,847 |
| Contingency | 9 | | |

On behalf of the Board:



Robert B. Dale-Harris, Director



Hugh R. Snyder, Director

See accompanying notes

Consolidated Statement of Retained Earnings

for the year ended December 31, 1981
(with comparative figures for 1980)

| | 1981 | 1980 |
|--|----------------|----------|
| | (in thousands) | |
| Retained earnings at beginning of year | \$46,576 | \$46,575 |
| Net earnings for the year | 1,091 | 899 |
| | 47,667 | 47,474 |
| Amalgamation expenses | - | -88 |
| Dividends on preferred shares | 4,495 | 810 |
| Retained earnings at end of year | \$43,172 | \$46,576 |

See accompanying notes

Brinco Limited and Subsidiaries

Auditors' Report to the Shareholders

We have examined the consolidated statement of financial position of Brinco Limited as at December 31, 1981 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Toronto, Canada

February 24, 1982 Chartered Accountants

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1981
(with comparative figures for 1980)

| | 1981 | 1980 |
|--|-----------------|-----------------|
| | (in thousands) | |
| Working capital provided | | |
| Loss before minority interest and extraordinary item | \$ 188 | \$ 1,378 |
| Items not affecting working capital: | | |
| Depletion and depreciation | 24,227 | 4,552 |
| Deferred income and mining taxes | (1,378) | 216 |
| Gain on sale of property and equipment | (332) | — |
| Amortization of deferred credit | (118) | — |
| Working capital provided by operations | 22,211 | 3,390 |
| Proceeds from long-term debt | 70,143 | — |
| Proceeds from disposal of property and equipment | 2,601 | — |
| Issue of common shares | 411 | 158 |
| Issue of preferred shares, series C | — | 40,000 |
| Extraordinary tax reduction | — | 2,151 |
| Total working capital provided | 95,366 | 45,699 |
| Working capital applied | | |
| Acquisition of subsidiaries, net of working capital acquired | — | 64,563 |
| Property, plant and equipment | 37,582 | 16,091 |
| Long-term investments | 19,112 | 3,059 |
| Advances to joint venture partner | 6,043 | — |
| Dividends on preferred shares | 4,495 | 810 |
| Redemption of preferred shares | — | 7,747 |
| Purchase of debenture | 3,629 | — |
| Other | 2,041 | (282) |
| Total working capital applied | 72,902 | 91,988 |
| Increase (decrease) in working capital | 22,464 | (46,289) |
| Working capital at beginning of year | 8,139 | 54,428 |
| Working capital at end of year | \$30,603 | \$ 8,139 |

See accompanying notes

Notes to the Consolidated Financial Statements

December 31, 1981

1. Summary of Significant Accounting Policies

The financial statements have been prepared on the historic cost basis in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards adopted by the International Accounting Standards Committee. The accounting policies of significance to the Company are as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary companies. The operations of the subsidiaries are included in the accounts from the date of acquisition.

Substantially all of the oil and gas exploration and production and a significant amount of the mining exploration and development is conducted under joint venture agreements. The Company's proportionate interest in the assets and liabilities and revenues and expenses of such ventures is included in the accounts.

The active subsidiaries and the Company's ownership therein, are as follows:

| | Ownership |
|---|-----------|
| Brinco Mining Limited | 100% |
| Brinco Oil & Gas Limited | 100% |
| Brinco Petroleum Inc. (incorporated in 1981) | 100% |
| Sharondale Corporation | 100% |
| Abitibi Asbestos Mining Company Limited | 60% |

In 1981, Brinco Mining Limited was amalgamated with its wholly owned subsidiary Cassiar Resources Limited.

Inventories and Mine Supplies

Asbestos fibre and ore stockpiled are valued at the lower of cost, determined on a first-in, first-out basis and net realizable value. Mine supplies are valued at the lower of cost, principally average cost, and replacement cost.

Mineral Exploration

Exploration expenditures and costs related to the investigation of possible investments in mineral resource properties are charged to earnings as incurred, net of recoveries from joint venture partners.

Property, Plant and Equipment

Mineral Resource Properties

Development and preproduction expenditures, including certain interest costs, on mineral resource properties, net of recoveries from joint venture partners are capitalized providing the properties are considered to be of value to the Company. When the property achieves commercial production volumes, costs are charged to earnings using the unit-of-production method based on estimated reserves. In the event of abandonment or disposal of such properties, the resulting gain or loss is charged to earnings.

Oil and Gas Properties

Expenditures on oil and gas properties are accounted for using the full cost method whereby all costs relating to the exploration for and development of oil and gas reserves are capitalized. The costs of such properties are charged to earnings using the unit-of-production method based on estimated proved reserves.

Plant and Equipment

Expenditures for plant and equipment are capitalized in the property accounts. Depreciation of oil and gas plant and equipment is charged to earnings using the unit-of-production method based on estimated reserves. Mine plant and equipment is charged to earnings over its physical or economic life using the unit-of-production and the straight-line methods of depreciation.

Long-term Investments

Long-term investments are recorded at cost and the related income is recorded when received. In the event of a permanent decline in value, the investment is written down to estimated realizable value and the loss is charged to earnings.

Translation of Foreign Currencies

The accounts of the Company's foreign subsidiaries and assets and liabilities arising in foreign currencies are translated into Canadian dollars on the following basis: current assets and current liabilities at the rate of exchange in effect at the end of the period; revenue and expense items at the average rate of exchange for the period; non-current assets, related depletion and depreciation and non-current liabilities at exchange rates applicable at the time of relevant transactions. Gains and losses on currency translations are included in the determination of earnings.

| 2. Property, Plant and Equipment | (in thousands) | | | |
|---|----------------|--|-----------|-------------|
| | Cost | 1981 Accumulated depletion and depreciation | Net | 1980 Net |
| Operating | | | | |
| Asbestos | \$113,090 | \$55,701 | \$ 57,389 | \$ 59,838 |
| Coal | 7,355 | 763 | 6,592 | 3,293 |
| Oil and gas | 71,525 | 8,845 | 62,680 | 62,856 |
| Corporate | 1,361 | 869 | 492 | 466 |
| | \$193,331 | \$66,178 | 127,153 | 126,453 |
| Unamortized waste removal costs (asbestos) | | | 37,210 | 36,156 |
| Non-Operating | | | | |
| Asbestos | \$ 18,803 | \$ — | 18,803 | 17,106 |
| Coal | 472 | — | 472 | — |
| Gold | 8,366 | — | 8,366 | 1,232 |
| Uranium | 9,413 | — | 9,413 | 9,385 |
| Other | 271 | — | 271 | 270 |
| | \$ 37,325 | \$ — | 37,325 | 27,993 |
| | | | \$201,688 | \$190,602 |

Mineral Resource Properties

Development of non-operating mineral resource properties and recovery of related costs are dependent upon capital financing arrangements, mineral market conditions, environmental considerations and general economic conditions.

Asbestos

In view of the existing asbestos market conditions detailed technical and financial reviews have been deferred.

Coal

In 1981, the Company entered into a joint venture agreement with Weldwood of Canada Limited to investigate the feasibility of developing a coal property on Vancouver Island in British Columbia.

Gold

In 1980 the Company entered into a joint venture agreement with New Forty-Four Mines Limited to develop a gold property at Bissett, Manitoba. It is anticipated that the property will reach full production in the first quarter of 1982.

Uranium

The Company has entered into a joint venture agreement with Edison Development Canada Inc. to develop the

Kitts and Michelin uranium deposits in Labrador. In view of the existing uranium market conditions, the parties have delayed a production decision; however, an exploration program is continuing on the property.

3. Advances to Joint Venture Partner

The Company provided New Forty-Four Mines Limited with a loan facility to fund its share of the capital expenditures required to bring the gold property at Bissett, Manitoba into production.

The maximum amount which will be advanced under this facility is \$7,500,000. The indebtedness is secured by a first fixed and floating charge on the assets of the joint venture and bears interest at 1/2 % over the Canadian prime interest rate. Minimum semi-annual principal payments of \$500,000 will begin in January 1983. The proceeds from New Forty-Four Mines Limited's share of concentrates sales after deducting operating expenses will be used to repay the loan.

4. Long-term Investments

| | 1981 | 1980 |
|--|----------------|---------|
| | (in thousands) | |
| Portfolio Investment | \$15,529 | \$3,059 |
| Investment in U.S. oil and gas venture | 3,642 | — |
| Brinco 1981 Energy Program | 3,000 | — |
| | \$22,171 | \$3,059 |

Portfolio Investment

The portfolio investment has a quoted market value of \$10,786,000 (1980-\$2,995,000). The Company does not believe that the quoted market value of the long-term investment represents a permanent decline in value.

Investment in U.S. Oil and Gas Venture

In 1981 the Company acquired an interest in a U.S. venture which is conducting a five year program for the accumulation and development of oil and gas reserves. Under the terms of the venture, the Company is committed to make contributions of U.S. \$3,000,000 for the years 1981 to 1983, inclusive. The Company has the option to continue its participation in the program for 1984 and 1985. The possible commitments arising out of the exercise of this option cannot be determined until the date of exercise.

Brinco 1981 Energy Program

The Company is the general partner of the Brinco 1981 Energy Program, an oil and gas exploration and development limited partnership which during 1981 sold 5,219 units to third parties at \$1,000 per unit. Commencing in 1984, any limited partner may require the Company to offer to purchase all or any of their units at a purchase price related to the fair market value of each unit at the time of purchase. The maximum number of units that the Company is obligated to purchase in any one year is 1,000.

5. Long-term Debt

A bank term loan in the amount of \$70,000,000 has been received from a Canadian Chartered Bank. The loan is repayable in equal consecutive semi-annual payments commencing September 15, 1983 and ending March 15, 1991 (subject to the productive life of the Cassiar open

pit). The loan bears interest at spreads over various money market rates quoted from time to time for Bankers acceptances, prime Canadian or U.S. dollar loans and L.I.B.O.R. loans. The indebtedness is secured by a first fixed and floating charge on the assets of the Cassiar Resources Division of Brinco Mining Limited.

Interest on long-term debt expensed in 1981 amounted to \$7,277,000. Interest costs of \$306,000 were capitalized as development and preproduction expenditures in 1981.

6. Income and Mining Taxes and Extraordinary Item

As a result of the amalgamation of Brinco Mining Limited and Cassiar Resources Limited it was determined that there would be sufficient taxable income in the amalgamated company to fully utilize the unclaimed income tax deductions of Brinco Mining Limited, the benefit of which was previously not recorded. Accordingly, a tax benefit of \$1,100,000 relating to these unclaimed deductions has been recognized in the accounts of the Company as an extraordinary item.

The 1980 extraordinary item arose from a reduction in income taxes due to the utilization of unclaimed deductions expensed in prior years and the application of prior years' losses.

The Company and certain subsidiaries have losses available for carry-forward for which no recognition is given to the possible future income tax benefits in the accounts. These losses approximate \$3,700,000 and are available to offset future income for tax purposes and expire in taxation years to 1986 in Canada and 1996 in the United States. The tax benefit resulting from the utilization of these losses will be recognized as an extraordinary item in the years of utilization. In addition, the Company and its subsidiaries have unclaimed earned depletion allowances which are available for deduction from future resource profits.

Deferred income taxes relate primarily to Brinco Mining Limited and represent the tax reductions for expenditures on mine development, exploration and depreciation deducted in the determination of taxable income but not yet charged to earnings.

7. Shareholders' Investment

Capital Stock

Authorized - 10,000,000 preferred shares with a par value of \$5.50 each, issuable in series
35,000,000 common shares without nominal or par value

| | 1981 | 1980 |
|---|------------------|------------------|
| | (in thousands) | |
| Issued | | |
| 2,092,109, 7% cumulative convertible redeemable retractable preferred shares, series A (1980-2,093,290) | \$ 11,506 | \$ 11,513 |
| 7,272,728, 8% cumulative convertible preferred shares, series C (1980-7,272,728) | 40,000 | 40,000 |
| 17,077,833 common shares (1980-17,008,823) | 58,176 | 57,758 |
| 7,762,632 class A common shares (1980-7,762,632) | 54,882 | 54,882 |
| Total capital stock | 164,564 | 164,153 |
| Retained earnings | 42,172 | 46,576 |
| | 207,736 | 210,729 |
| Cost of common shares purchased pursuant to the 1974 tender offer to shareholders, net | (54,882) | (54,882) |
| | \$152,854 | \$155,847 |

Preferred Shares

(a) At the option of the holder, each preferred share, series A is convertible until October 18, 1984, into 0.55 of a common share. At the option of the Company, the preferred shares, series A are redeemable if the market price of the Company's common shares is more than 150% of the conversion price (\$10.00) of the preferred shares. The Company shall invite tenders on or about October 18, 1984 for retraction of the preferred shares, series A at \$5.50 each plus accrued and unpaid dividends. Each year, under a mandatory provision, the Company is required to offer to redeem an amount equal to 5% of the originally issued shares for \$5.50 each plus accrued and unpaid dividends if the defined market value of these shares, is less than par value. The Company is required to offer to redeem approximately 110,000 shares in 1982. During the year 1,181 shares were converted into common shares.

(b) At the option of the holder, each preferred share, series C can be converted into 0.55 of a common share. On November 6, 1985, the conversion of the remaining preferred shares, series C to common shares will take place. Should the weighted average market price of the common shares for any ninety consecutive days

after November 6, 1983 be more than 130% of the conversion price (\$10.00) the preferred shares, series C will be converted at the end of the ninety days.

(c) Each issued and outstanding preferred share, series A and series C is entitled to a fraction of a vote equal to the conversion basis of such shares into common shares.

Common Shares

In 1978, 9,973,067 common shares purchased for \$7.07 each, pursuant to the 1974 tender offer to shareholders, were deemed by legislation to be a special class of common shares designated as class A. When these shares are reissued, they revert to their former status as common shares. To date 2,210,435 such shares have been reissued.

8. Stock Options

Under the Company's stock option plan, 700,000 common shares have been set aside for issuance. At December 31, 1981, options were outstanding on 424,500 shares (including 197,000 to officers) at prices ranging from \$6.25 to \$9.67 per share exercisable at various dates to 1986. During the year, options were exercised on 68,400 shares for a cash consideration of \$411,300.

9. Legal Actions

Brinco Mining Limited, as well as others, continues to be named as a defendant in a large number of product liability suits in the United States in which substantial damages are claimed for alleged injuries to the health of asbestos workers and others by means of their exposure to asbestos fibres or dust. The subsidiary company is currently involved in approximately 775 such suits. Since 1974, the company has been involved in approximately 2,000 claims and has agreed to settle or been dismissed from approximately 1,225 claims. From 1974 to date, legal and settlement costs have totalled \$5,700,000. The costs to date may not be indicative of future costs since the company's potential liability in each case depends upon a great many factors apart from legal defenses, including the seriousness of the claimant's illness and whether the illness is related to exposure to asbestos supplied by the company.

The company held policies of insurance providing coverage for product liability in the years 1953 to 1975. The company takes the position that a substantial portion of the settlement and litigation costs, as well as any judgments that might be rendered against it, should be reimbursed by its insurance carriers. While these insurers have thus far denied coverage in most instances, the company has instituted litigation in the Ontario courts to recover certain of these costs.

10. Commitments

Exploration and Development

As a condition of the purchase of Brinco Oil & Gas Limited in 1979, the Company agreed to spend over the ensuing five years \$25,000,000 for exploration and development of oil and natural gas properties principally in Canada (to date the Company has spent approximately \$19,000,000).

Segmented Information

| | Asbestos* | | Coal | |
|--|------------------|------------------|-----------------|----------------|
| | 1981 | 1980 | 1981 | 1980 |
| Revenue | | | | |
| Operations | | | | |
| Canada | \$ 76,300 | \$ 8,753 | \$ — | \$ — |
| United States | — | — | 9,188 | 23 |
| Total Revenue | \$ 76,300 | \$ 8,753 | \$9,188 | \$ 23 |
| Earnings | | | | |
| Canada | \$ 3,439 | \$ 287 | \$ — | \$ — |
| United States | — | — | (745) | 18 |
| Total Earnings | \$ 3,439 | \$ 287 | \$ (745) | \$ 18 |
| Depletion and Depreciation | \$ 20,637 | \$ 1,802 | \$ 763 | \$ — |
| Capital Employed | \$133,891 | \$138,788 | \$7,309 | \$3,404 |
| Identifiable Assets | | | | |
| Canada | | | | |
| Operating | \$138,775 | \$132,010 | \$ — | \$ — |
| Non-operating | 18,807 | 17,067 | 472 | — |
| United States | | | | |
| Operating | — | — | 7,719 | 3,447 |
| Total Identifiable Assets | \$157,582 | \$149,077 | \$8,191 | \$3,447 |
| Expenditures on Property, Plant and Equipment and Long-term Investments | \$ 23,193 | \$ 67,225 | \$4,533 | \$3,293 |

*Substantially all asbestos revenue is derived from sales to customers outside of Canada. Sales to two major customers, under contracts which generally are not more than one year in duration, account for approximately one-half of the revenue in 1981 and approximately one-third in 1980.

U.S. Coal Property

An annual royalty of U.S. \$750,000 is payable in each of the years to 1986. After January 1, 1987, a royalty of U.S. \$1.25 per ton of coal mined and sold will be payable.

11. Retirement Plans

The Company maintains contributory retirement plans which cover certain salaried and hourly paid employees.

The unfunded past service cost with respect to all the plans was approximately \$716,000 as at December 31, 1981 and is being funded and charged to earnings by annual payments of \$108,000. A funded portion, relating to past service benefits and an actuarial revaluation, amounting to \$900,000 is being charged to earnings at the rate of \$140,000 per annum.

12. Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid or payable for the period by the Company and its subsidiaries to its directors and senior officers amounted to \$1,039,000 (1980-\$753,000).

13. Reclassification

For 1981 certain figures reported in 1980 have been reclassified to conform to current presentation.

14. Segmented Information

The segmented financial information has been determined by the Company based on industry segment and geographic area. Segmented information on revenues, earnings (before income and mining taxes, minority interest and extraordinary item) and assets is summarized in the chart below.

| Oil & Gas | | Gold | | Uranium | | Corporate | | Consolidated | |
|----------------|------------|----------|---------|---------|------------|-----------|-------------|--------------|-----------|
| 1981 | 1980 | 1981 | 1980 | 1981 | 1980 | 1981 | 1980 | 1981 | 1980 |
| (in thousands) | | | | | | | | | |
| \$ 2,382 | \$ 2,840 | \$ — | \$ — | \$ — | \$ — | \$ 3,703 | \$ 5,886 | \$ 82,385 | \$ 17,479 |
| 472 | 568 | — | — | — | — | — | — | 9,660 | 591 |
| \$ 2,854 | \$ 3,408 | \$ — | \$ — | \$ — | \$ — | \$ 3,703 | \$ 5,886 | \$ 92,045 | \$ 18,070 |
| \$ (2,483) | \$ (1,992) | \$ — | \$ — | \$ — | \$ — | \$ (665) | \$ 2,570 | \$ 291 | \$ 865 |
| (22) | 185 | — | — | — | — | 627 | — | (140) | 203 |
| \$ (2,505) | \$ (1,807) | \$ — | \$ — | \$ — | \$ — | \$ (38) | \$ 2,570 | \$ 151 | \$ 1,068 |
| \$ 2,770 | \$ 2,635 | \$ — | \$ — | \$ — | \$ — | \$ 57 | \$ 115 | \$ 24,227 | \$ 4,552 |
| \$68,234 | \$62,917 | \$14,544 | \$1,486 | \$9,463 | \$10,686 | \$31,722 | \$ (12,391) | \$265,163 | \$204,890 |
| \$64,845 | \$63,898 | \$ — | \$ — | \$ — | \$ — | \$29,970 | \$ 3,713 | \$233,590 | \$199,621 |
| — | — | 14,544 | 1,486 | 9,463 | 10,686 | 271 | 270 | 43,557 | 29,509 |
| 5,889 | 1,326 | — | — | — | — | 8,975 | — | 22,583 | 4,773 |
| \$70,734 | \$65,224 | \$14,544 | \$1,486 | \$9,463 | \$10,686 | \$39,216 | \$ 3,983 | \$299,730 | \$233,903 |
| \$ 9,236 | \$10,550 | \$ 7,134 | \$1,232 | \$ 28 | \$ (1,691) | \$12,570 | \$ 3,104 | \$ 56,694 | \$ 83,713 |

Company Offices and Locations

Registered Office

BRINCO LIMITED
Royal Trust Building
Suite 1101
Water Street
St. John's, Newfoundland
A1C 5J9

Executive Offices

BRINCO LIMITED
10th Floor
20 King Street West
Toronto, Ontario
M5H 1C4

BRINCO OIL & GAS LIMITED
1801, 300 — 5th Avenue S.W.
Calgary, Alberta
T2P 3C4

BRINCO MINING LIMITED
2000, 1055 West Hastings Street
Vancouver, British Columbia
V6E 3V3

Exploration Offices

Suite 704, 602 West Hastings Street
Vancouver, British Columbia
V6B 1P2

North West River
Labrador
AOP 1M0

P.O. Box 249
Springdale, Newfoundland
A0J 1T0

P.O. Box 2580
Stellarton, Nova Scotia
B0K 1S0

QUINSAM COAL LIMITED
973 Alder Street
Campbell River, British Columbia
V9W 2R1

CASSIAR RESOURCES
Cassiar, British Columbia
VOC 1E0

SHARONDALE CORPORATION
Loftis Coal Division
Box 310
Belfrey, Kentucky 41514
U.S.A.

SAN ANTONIO JOINT VENTURE LTD.
P.O. Box 1000
Bissett, Manitoba
ROE OTO

Registrars and Transfer Agents

Common Shares

The Royal Trust Company
St. John's, Newfoundland
Montreal, Quebec
Toronto, Ontario

Preferred Shares

Guaranty Trust Company of Canada
St. John's, Newfoundland
Montreal, Quebec
Toronto, Ontario
Calgary, Alberta

Shares Listed

Montreal Stock Exchange
Toronto Stock Exchange
Alberta Stock Exchange

